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ACTION EA-14

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SUBJ: LIBERAL/COUNTRY PARTY POLICY ON OVERSEAS INVESTMENT

REF: CANBERRA 2554 (NOTAL)

1. BEGIN SUMMARY. DETAILED POSITION PAPER ON OVERSEAS INVESTMENT
ISSUED APRIL 26 BY LIBERAL/COUNTRY PARTY OPPOSITION FOR GENERAL
ELECTION CAMPAIGN. OPPOSITION SEEKS SAME LONG-TERM OBJECTIVES OF
INCREASED AUSTRALIAN OWNERSHIP OF INDUSTRY AND RESOURCES, AND
INCREASED AUSTRALIAN SUPERVISION OF FOREIGN INVESTORS ACTIVITIES
AS ARE HELD BY LABOR GOVERNMENT. DIFFERENCES LIE IN METHODS.
LIBERAL/COUNTRY POSITION LESS DISPOSED TO PAY SHORT-RUN PRICE IN
FORM DELAYED MAJOR DEVELOPMENT PROJECTS AND SIGNIFICANTLY
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INCREASED DEVELOPMENT COSTS IN ORDER TO BUY SPEED-UP IN PROCESS OF

INCREASING AUSTRALIAN CONTROL AND OWNERSHIP. THEIR PROGRAM PLACES GREATER EMPHASIS ON STRENGTHENING AUSTRALIAN PRIVATE CAPITAL FACILITIES AND AUSTRALIAN BUSINESS ORGANIZATIONS TO ENABLE THEM IN NORMAL PROCESS TO ENLARGE THEIR RELATIVE ROLE IN AUSTRALIAN ECONOMY. IT FOLLOWS THAT LIBERAL/COUNTRY POSITION IS BASED ON MORE EXPLICIT RECOGNITION OF IMPORTANT BENEFITS OF FOREIGN INVESTMENT TO AUSTRALIA AND IMPLIES DESIRE TO MINIMIZE ATMOSPHERE OF ADVERSARY CONFRONTATION, TO EXTENT CONSISTENT WITH PURPOSEFUL PROGRAM TO ACCOMPLISH AUSTRALIAN OBJECTIVES. NOTWITHSTANDING THIS DIFFERENCE IN TONE AND VALUES, LIBERAL/COUNTRY PROGRAM CLEARLY SPECIFIES EXTENSION AND TIGHTENING OF GUIDELINES FOR FOREIGN INVESTMENT, TAKE-OVER PROCEDURES, RESERVED SECTORS, TAXATION OF FOREIGN INVESTMENT AND OVERALL SURVEILLANCE OF FOREIGN ENTERPRISE. END SUMMARY.

2. INDIVIDUAL FEATURES IN POLICY STATEMENT OF SPECIAL INTEREST FROM U.S. STAND POINT LISTED IN FOLLOWING PARAGRAPHS.

3. GUIDELINES FOR FOREIGN-OWNED COMPANIES - WILL CALL FOR INCREASED EMPLOYMENT OF AUSTRALIAN NATIONALS IN MANAGERIAL POSITIONS, AUSTRALIAN MAJORITIES ON BOARDS OF DIRECTORS, INFORMATION FILINGS PARALLELING THOSE NOW REQUIRED FROM COMPANIES LISTED ON AUSTRALIAN EXCHANGE, AND PROVISIONS TO ASSURE THAT EXPORT FRANCHISES, ROYALTY, LICENSING AND SIMILAR ARRANGEMENTS ARE IN AUSTRALIAN NATIONAL INTEREST.

4. LIMITED SECTORS - NEW OVERSEAS INVESTMENT TO BE LIMITED IN AREAS (1) SUITABLE FOR PUBLIC OWNERSHIP OF UTILITIES, (2) WHERE CULTURAL AND POLITICAL AUTONOMY IS INVOLVED SUCH AS BROADCASTING, (3) WHERE EFFECTIVE ECONOMIC MANAGEMENT IS AT RISK SUCH AS BANKING, AND (4) OTHER UNIQUE SITUATIONS, OF WHICH URANIUM IS CITED AS EXAMPLE.

5. TAKE-OVER REVIEW - FOREIGN TAKE-OVERS ACT WOULD BE REVIEWED TO COVER LAND ACQUISITION, REAL ESTATE AND MINING RIGHTS.

6. TAXATION - WILL REVIEW AUSTRALIAN TAX LEGISLATION TO ENSURE PREVENTION OF UNJUSTIFIED TAX AVOIDANCE. IN THIS CONNECTION PAPER PROMISES TO PROMOTE MULTILATERAL INVESTIGATIONS THROUGH SUCH INTERGOVERNMENTAL GROUPS AS OECD, AS WELL AS BILATERALLY. LIMITED OFFICIAL USE

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7. VARIABLE RATE OF DEPOSIT - THE 33 1/3 PERCENT INTEREST-FREE

DEPOSIT REQUIREMENT ON LONG-TERM INCOMING LOAN CAPITAL WOULD BE ABOLISHED. THIS REQUIREMENT IS VIEWED AS DISCRIMINATORY AGAINST AUSTRALIAN FIRMS NOT HAVING ACCESS TO OVERSEAS CAPITAL THROUGH PARENT COMPANIES, AND ALSO AS PREVENTING OR UNDLY INCREASING THE COST OF VITAL DEVELOPMENT PROJECTS.

8. EXCHANGE RATE AND FOREIGN EXCHANGE MARKET - PAPER RENEWS PLEDGE TO UNTIE AUSTRALIAN DOLLAR FROM U.S. DOLLAR. RESERVE BANK WOULD SET DAILY RATE CONSIDERING WEIGHTED INDEX OF CURRENCIES OF MAJOR TRADING PARTNERS, AND WITHIN NARROW BAND ("BETWEEN 3 1/3 AND 5 PERCENT") AROUND INITIAL RATE WITHIN ANY 3 MONTH PERIOD. POSITION PAPER ALSO LOOKS TO DESIRABILITY OF ESTABLISHING FOREIGN EXCHANGE MARKET IN AUSTRALIA.

9. AUSTRALIAN CAPITAL MARKET - THE PAPER PROMISES A VARIETY OF MEASURES TO ENLARGE THE PRIVATE AUSTRALIAN CAPITAL MARKET AND IMPROVE THE ACCESS OF AUSTRALIAN COMPANIES TO BOTH DOMESTIC AND OVERSEAS FUNDS. THE AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION WOULD FACILITATE PRIVATE AUSTRALIAN FINANCING, BUT WOULD NOT INITIATE DEVELOPMENTS OR HOLD PERMANENT EQUITY IN ITS OWN NAME.

10. FOREIGN INVESTMENT BY AUSTRALIANS - THE LIBERAL/COUNTRY PAPER ENDORSES AN INCREASE IN OVERSEAS INVESTMENT BY AUSTRALIANS BOTH TO ENLARGE THE AUSTRALIAN BUSINESS BASE AND FOR ITS CONTRIBUTION TO REGIONAL ECONOMIC DEVELOPMENT.

11. EMBASSY COMMENT: IN GENERAL THE MORE CONCRETE STEPS IN THIS PROGRAM PARALLEL THE COURSE WHICH THE LABOR GOVERNMENT IS FOLLOWING, EVEN THOUGH SOME OF THE BACKGROUND RATIONALE DIFFERS AND THERE WOULD BE ROOM FOR WIDE DIFFERENCES BETWEEN THE PRESENT GOVERNMENT AND A LIBERAL/COUNTRY GOVERNMENT RESPECTING THE SPEED AS WELL AS THE STRINGENCY WITH WHICH VARIOUS OF THESE MEASURES WOULD BE PURSUED. THE MAJOR SINGLE DIFFERENCE FROM THE LABOR GOVERNMENT PROGRAM IS THE PROPOSAL TO ABOLISH THE 33 1/3 PERCENT VARIABLE RATE OF DEPOSIT ON INCOMING LONG-LIMITED OFFICIAL USE

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TERM LOANS. THIS PARTICULAR LIBERAL/COUNTRY PROPOSAL IS OF IMPORTANCE IN CONNECTION WITH THE SEPARATE PROBLEM OF INFLATION, AS WELL AS IN THE FOREIGN INVESTMENT CONTEXT. WHILE SNEDDEN COMMITTED HIMSELF CATEGORICALLY TO IT IN EARLIER POST-DOUBLE DISSOLUTION PUBLIC STATEMENTS, HE DID NOT ALLUDE TO IT IN HIS FORMAL APRIL 30 POLICY SPEECH, AND SOME AMBIGUITY HAS ARISEN IN STATEMENTS BY OTHER LIBERAL SPOKESMEN ON WHETHER THE OPPOSITION HAS REALLY COMMITTED ITSELF TO ELIMINATE RESTRAINTS ON INCOMING LONG-TERM FUNDS, OR WHETHER ON THE OTHER HAND IT WOULD BE FREE TO REPLACE THE 33 1/3 PERCENT REQUIREMENT WITH SOME OTHER PERCENTAGE OR SOME OTHER FORM OF RESTRICTION. UNDER THESE CIRCUMSTANCES THE OPPOSITION MAY FIND THIS COMMITMENT REQUIRES A MORE

FLEXIBLE INTERPRETATION IN COMING WEEKS THAN
ANY OTHER FEATURE IN ITS OVERSEAS INVESTMENT POSITION.
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